

**REPORT OF THE AUDIT OF THE  
SCOTT COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2015**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**SCOTT COUNTY FISCAL COURT**

**June 30, 2015**

The Auditor of Public Accounts has completed the audit of the Scott County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Scott County Fiscal Court.

**Financial Condition:**

The Scott County Fiscal Court had total receipts of \$32,170,481 and disbursements of \$30,306,429 in fiscal year 2015. This resulted in a total ending fund balance of \$31,941,192, which is an increase of \$1,951,394 from the prior year.

**Deposits:**

The fiscal court deposits were insured and collateralized by bank securities.



<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT.....	1
SCOTT COUNTY OFFICIALS .....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS .....	6
NOTES TO FINANCIAL STATEMENT.....	9
BUDGETARY COMPARISON SCHEDULES .....	19
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	25
SCHEDULE OF CAPITAL ASSETS .....	29
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - SCHEDULE OF CAPITAL ASSETS .....	30
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	33
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	





**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
Honorable George Lusby, Scott County Judge/Executive  
Members of the Scott County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Scott County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Scott County Fiscal Court's financial statement as listed in the table of contents.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Members of the Scott County Fiscal Court

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described more fully in Note 1 of the financial statement, the financial statement is prepared by Scott County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Scott County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Scott County Fiscal Court as of June 30, 2015, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Scott County Fiscal Court. The budgetary comparison schedules and capital asset schedule, as required by the Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying budgetary comparison schedules and capital asset schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the financial statement as a whole.

To the People of Kentucky  
Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
Honorable George Lusby, Scott County Judge/Executive  
Members of the Scott County Fiscal Court

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2016 on our consideration of Scott County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scott County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal flourish extending to the right.

Mike Harmon  
Auditor of Public Accounts

April 14, 2016

SCOTT COUNTY OFFICIALS

For The Year Ended June 30, 2015

**Fiscal Court Members:**

George Lusby	County Judge/Executive
Rick Hostetler	Magistrate
Alvin Lyons	Magistrate
Chad Wallace	Magistrate
Kelly Corman	Magistrate
Charlie Hoffman	Magistrate
Bill Burke	Magistrate
David Livingston	Magistrate

**Other Elected Officials:**

Glenn Williams	County Attorney
Derran Broyles	Jailer
Rebecca Johnson	County Clerk
Karen Boehm	Circuit Court Clerk
Tony Hampton	Sheriff
Tim Jenkins	Property Valuation Administrator
John Goble	Coroner

**Appointed Personnel:**

Jane L. Lucas	County Treasurer
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**SCOTT COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2015**

**SCOTT COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2015**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 21,290,387	\$	\$
Excess Fees	1,152,533		
Licenses and Permits	356,450		
Intergovernmental	2,145,897	1,323,041	350,202
Charges for Services	1,438,830		64,002
Miscellaneous	2,970,963	758,196	70,374
Interest	80,652	919	
Total Receipts	<u>29,435,712</u>	<u>2,082,156</u>	<u>484,578</u>
<b>DISBURSEMENTS</b>			
General Government	6,333,390		
Protection to Persons and Property	6,633,190		2,225,148
General Health and Sanitation	698,775		
Social Services	290,088		
Recreation and Culture	1,261,438		
Roads		3,837,653	
Capital Projects	32,597	2,239,486	
Administration	5,472,402	557,605	671,659
Total Disbursements	<u>20,721,880</u>	<u>6,634,744</u>	<u>2,896,807</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>8,713,832</u>	<u>(4,552,588)</u>	<u>(2,412,229)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Payroll Revolving Account	87,342		
Transfers From Other Funds		5,150,000	2,500,000
Transfers To Other Funds	(7,650,000)		
Total Other Adjustments to Cash (Uses)	<u>(7,562,658)</u>	<u>5,150,000</u>	<u>2,500,000</u>
Net Change in Fund Balance	1,151,174	597,412	87,771
Fund Balance - Beginning	29,078,074	123,697	102,859
Fund Balance - Ending	<u>\$ 30,229,248</u>	<u>\$ 721,109</u>	<u>\$ 190,630</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 1,053,380	\$ 99,368	\$ 219,820
Payroll Revolving Account Reconciled Balance	87,342		
Less: Outstanding Checks	(372,321)	(74,304)	(29,190)
Certificates of Deposit/Money Market	29,460,847	696,045	
Fund Balance - Ending	<u>\$ 30,229,248</u>	<u>\$ 721,109</u>	<u>\$ 190,630</u>

The accompanying notes are an integral part of the financial statement.

**SCOTT COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>Budgeted Funds</b>			<b>Unbudgeted Fund</b>	
<b>Local Government Economic Assistance Fund</b>	<b>McCracken Fund</b>	<b>Hospital Fund</b>	<b>Jail Commissary Fund</b>	<b>Total Funds</b>
\$	\$	\$	\$	\$ 21,290,387
				1,152,533
				356,450
112,323				3,931,463
				1,502,832
			54,214	3,853,747
393	135	970		83,069
112,716	135	970	54,214	32,170,481
				6,333,390
				8,858,338
				698,775
	342			290,430
			52,656	1,314,094
				3,837,653
				2,272,083
				6,701,666
	342		52,656	30,306,429
112,716	(207)	970	1,558	1,864,052
				87,342
				7,650,000
				(7,650,000)
				87,342
112,716	(207)	970	1,558	1,951,394
189,116	93,325	380,643	22,084	29,989,798
\$ 301,832	\$ 93,118	\$ 381,613	\$ 23,642	\$ 31,941,192
\$ 280	\$ 3,202	\$ 3,613	\$ 23,642	\$ 1,403,305
				87,342
				(475,815)
301,552	89,916	378,000		30,926,360
\$ 301,832	\$ 93,118	\$ 381,613	\$ 23,642	\$ 31,941,192

The accompanying notes are an integral part of the financial statement.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....9

NOTE 2. DEPOSITS..... 12

NOTE 3. TRANSFERS ..... 12

NOTE 4. AGENCY TRUST FUNDS..... 12

NOTE 5. COMMITMENTS AND CONTINGENCIES ..... 12

NOTE 6. EMPLOYEE RETIREMENT SYSTEM ..... 13

NOTE 7. DEFERRED COMPENSATION ..... 15

NOTE 8. INSURANCE ..... 15

NOTE 9. PAYROLL REVOLVING ACCOUNT ..... 15

**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Scott County includes all budgeted and unbudgeted funds under the control of the Scott County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

McCracken Fund - This fund is used to pay for indigent care. The money in the fund is generated from a trust fund, in which only the interest can be spent, with one-third of the money going back into the trust fund.

Hospital Fund - The receipts for this fund are generated from certificates of deposits from the sale of the old hospital. The interest earned from these CD's is used for indigent care and pauper funerals.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of this fund.

**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Scott County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Scott County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Scott County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**F. Deposits and Investments**

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**G. Long-term Obligations**

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2015.

	General Fund	Total Transfers In
Road Fund	\$ 5,150,000	\$ 5,150,000
Jail Fund	2,500,000	2,500,000
Total Transfers Out	<u>\$ 7,650,000</u>	<u>\$ 7,650,000</u>

Reason for transfers:

To move resources from and to the General Fund, for budgetary purposes, to the funds that will expend them.

**Note 4. Agency Trust Fund**

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2015 was \$19,973.

**Note 5. Commitments and Contingencies**

The County is involved in multiple lawsuits that arose from the normal course of doing business. While individually they may not be significant; in the aggregate, they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 6. Employee Retirement System**

**A. Plan Description**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous and hazardous duty positions in the county. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 34.31 percent.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute five percent (nonhazardous) and eight percent (hazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) and seven and one-half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$2,612,779, FY 2014 was \$2,521,709, and FY 2015 was \$2,576,564.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post-retirement health care coverage as follows:

**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 6. Employee Retirement System (Continued)**

**A. Plan Description (Continued)**

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**B. Net Pension Liability**

As promulgated by GASB Statement No. 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for all employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Scott County's proportionate share of the net pension liability as of June 30, 2015 is:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Hazardous	\$ 14,362,000	\$ 12,861,000
Non-Hazardous	<u>4,616,000</u>	<u>4,079,000</u>
Totals	<u>\$ 18,978,000</u>	<u>\$ 16,940,000</u>

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or can be obtained as described in the paragraph above.

**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 7. Deferred Compensation**

The Scott County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 8. Insurance**

For the fiscal year ended June 30, 2015, Scott County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Payroll Revolving Account**

The reconciled balance of the Payroll Revolving Account as of June 30, 2015, was added to the General Fund cash balance for financial reporting purposes.

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**SCOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2015**



**SCOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2015**

<b>GENERAL FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 16,860,000	\$ 16,860,000	\$ 21,290,387	\$ 4,430,387
Excess Fees	1,200,000	1,200,000	1,152,533	(47,467)
Licenses and Permits	186,000	186,000	356,450	170,450
Intergovernmental	1,749,800	1,749,800	2,145,897	396,097
Charges for Services	715,000	715,000	1,438,830	723,830
Miscellaneous	2,438,100	2,438,100	2,970,963	532,863
Interest	55,000	55,000	80,652	25,652
Total Receipts	23,203,900	23,203,900	29,435,712	6,231,812
<b>DISBURSEMENTS</b>				
General Government	6,127,885	6,676,656	6,333,390	343,266
Protection to Persons and Property	6,843,023	7,184,750	6,633,190	551,560
General Health and Sanitation	728,495	747,232	698,775	48,457
Social Services	348,009	363,009	290,088	72,921
Recreation and Culture	1,296,938	1,285,351	1,261,438	23,913
Capital Projects	57,500	79,468	32,597	46,871
Administration	8,044,400	7,109,784	5,472,402	1,637,382
Total Disbursements	23,446,250	23,446,250	20,721,880	2,724,370
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(242,350)	(242,350)	8,713,832	8,956,182
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(12,560,343)	(16,560,343)	(7,650,000)	8,910,343
Total Other Adjustments to Cash (Uses)	(12,560,343)	(16,560,343)	(7,650,000)	8,910,343
Net Change in Fund Balance	(12,802,693)	(16,802,693)	1,063,832	17,866,525
Fund Balance Beginning	12,802,693	16,802,693	29,078,074	12,275,381
Fund Balance - Ending	\$ 0	\$ 0	\$ 30,141,906	\$ 30,141,906

**SCOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>ROAD FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,293,107	\$ 1,293,107	\$ 1,323,041	\$ 29,934
Miscellaneous	102,100	102,100	758,196	656,096
Interest	500	500	919	419
Total Receipts	<u>1,395,707</u>	<u>1,395,707</u>	<u>2,082,156</u>	<u>686,449</u>
<b>DISBURSEMENTS</b>				
Roads	2,546,280	4,047,280	3,837,653	209,627
Capital Projects	4,150,000	6,730,000	2,239,486	4,490,514
Administration	650,000	569,000	557,605	11,395
Total Disbursements	<u>7,346,280</u>	<u>11,346,280</u>	<u>6,634,744</u>	<u>4,711,536</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(5,950,573)</u>	<u>(9,950,573)</u>	<u>(4,552,588)</u>	<u>5,397,985</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>5,950,573</u>	<u>9,950,573</u>	<u>5,150,000</u>	<u>(4,800,573)</u>
Total Other Adjustments to Cash (Uses)	<u>5,950,573</u>	<u>9,950,573</u>	<u>5,150,000</u>	<u>(4,800,573)</u>
Net Change in Fund Balance			597,412	597,412
Fund Balance Beginning			<u>123,697</u>	<u>123,697</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 721,109</u>	<u>\$ 721,109</u>

**SCOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 269,100	\$ 269,100	\$ 350,202	\$ 81,102
Charges for Services	54,100	54,100	64,002	9,902
Miscellaneous	35,200	35,200	70,374	35,174
Total Receipts	358,400	358,400	484,578	126,178
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,237,470	2,286,042	2,225,148	60,894
Administration	730,700	682,128	671,659	10,469
Total Disbursements	2,968,170	2,968,170	2,896,807	71,363
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,609,770)	(2,609,770)	(2,412,229)	197,541
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	2,609,770	2,609,770	2,500,000	(109,770)
Total Other Adjustments to Cash (Uses)	2,609,770	2,609,770	2,500,000	(109,770)
Net Change in Fund Balance			87,771	87,771
Fund Balance Beginning			102,859	102,859
Fund Balance - Ending	\$ 0	\$ 0	\$ 190,630	\$ 190,630

**SCOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 125,000	\$ 125,000	\$ 112,323	\$ (12,677)
Interest	300	300	393	93
Total Receipts	125,300	125,300	112,716	(12,584)
<b>DISBURSEMENTS</b>				
Roads	300,000	300,000		300,000
Total Disbursements	300,000	300,000		300,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(174,700)	(174,700)	112,716	287,416
Net Change in Fund Balance	(174,700)	(174,700)	112,716	287,416
Fund Balance Beginning	174,700	174,700	189,116	14,416
Fund Balance - Ending	\$ 0	\$ 0	\$ 301,832	\$ 301,832

**SCOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>McCRACKEN FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$ 180	\$ 180	\$ 135	\$ (45)
Total Receipts	180	180	135	(45)
<b>DISBURSEMENTS</b>				
Social Services	3,000	3,000	342	2,658
Total Disbursements	3,000	3,000	342	2,658
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,820)	(2,820)	(207)	2,613
Net Change in Fund Balance	(2,820)	(2,820)	(207)	2,613
Fund Balance Beginning	2,820	2,820	93,325	90,505
Fund Balance - Ending	\$ 0	\$ 0	\$ 93,118	\$ 93,118

**SCOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>HOSPITAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>			
Interest	\$ 1,000	\$ 1,000	\$ 970
Total Receipts	1,000	1,000	970
<b>DISBURSEMENTS</b>			
Social Services	1,000	1,000	
Total Disbursements	1,000	1,000	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			970
Net Change in Fund Balance			970
Fund Balance Beginning			380,643
Fund Balance - Ending	\$ 0	\$ 0	\$ 381,613

**SCOTT COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2015**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation of the General Fund**

The *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* differs from the *Budgetary Comparison Schedule* for the General Fund in Other Adjustments to Cash (Uses) and Fund Balance - Ending by \$87,342 due to the balance in the payroll revolving account being allocated with the General Fund.

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**SCOTT COUNTY**  
**SUPPLEMENTARY SCHEDULE**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**



**SCOTT COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2015**

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 7,617,870	\$	\$	\$ 7,617,870
Construction In Progress	560,369	1,668,502	560,369	1,668,502
Buildings	24,976,211	566,224		25,542,435
Vehicles	7,399,010	768,830	439,997	7,727,843
Equipment	5,084,211	732,556		5,816,767
Infrastructure	28,911,137	2,543,490		31,454,627
 Total Capital Assets	 <u>\$ 74,548,808</u>	 <u>\$ 6,279,602</u>	 <u>\$ 1,000,366</u>	 <u>\$79,828,044</u>

**SCOTT COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - SCHEDULE OF CAPITAL ASSETS**

**June 30, 2015**

**Note 1. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	20-25
Buildings and Building Improvements	\$ 5,000	10-60
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-12
Infrastructure	\$ 5,000	20-40

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***





**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable George Lusby, Scott County Judge/Executive  
Members of the Scott County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Scott County Fiscal Court for the fiscal year ended June 30, 2015 and the related notes to the financial statement which collectively comprise the Scott County Fiscal Court's financial statement and have issued our report thereon dated April 14, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Scott County Fiscal Court's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Scott County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Scott County Fiscal Court's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*  
(Continued)

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Scott County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mike H', with a long horizontal stroke extending to the right.

Mike Harmon  
Auditor of Public Accounts

April 14, 2016

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**SCOTT COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2015**



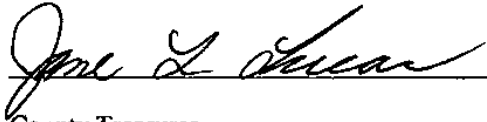
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
SCOTT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

The Scott County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "George Zensky", is written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Jane L. McLean", is written over a horizontal line.

County Treasurer

